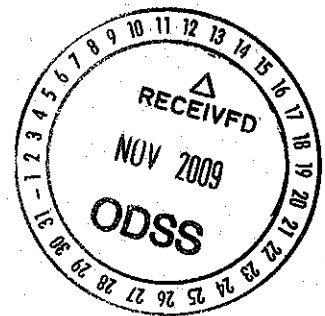


LESLIE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2009

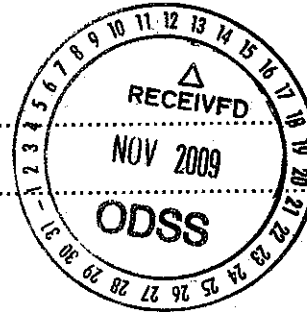


LESLIE COUNTY SCHOOL DISTRICT

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LESLIE COUNTY SCHOOL DISTRICT

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# Chris Gooch

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## INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of Leslie County Board of Education  
Hyden, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leslie County School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Leslie County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

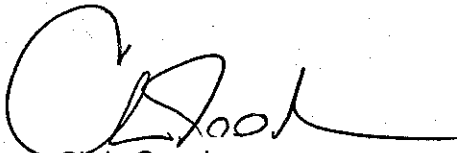
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leslie County School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009, on our consideration of Leslie County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an

opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leslie County School District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Leslie County School District. The combining and individual nonmajor fund financial statements, other supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

November 4, 2009

LESLIE COUNTY SCHOOL DISTRICT  
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

As management of the Leslie County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including activity funds, for the District was \$9,074,015. The ending cash balance, including activity funds, for the District was \$4,513,247. The balance at June 30, 2009 and 2008, respectively, includes \$2,824,367 and \$8,263,441 in cash equivalents held for construction expenditures related to the new elementary school.
- Total federal expenditures for year ended June 30, 2009 was \$3,164,202 and for June 30, 2008 was \$2,980,223. Of this amount \$1,119,136 and \$1,019,437 was for the Title I program and \$726,917 and \$742,312 was for food service program expenditures in fiscal year ended 2009 and 2008, respectively.
- Interest revenue totaled \$144,211 for the current year ended and for the prior year the total interest revenue was \$400,549, the decrease primarily a result of cash equivalent investments from bond proceeds related to construction of the new elementary school.
- The District's total long-term debt reflects reductions during the fiscal year of \$1,278,551.
- The Leslie County School District Finance Corporation entered into an agreement with KISTA to acquire three new buses, placed in service after the end of the fiscal year. The total bond principal is \$236,521. For 2008-09, the District is obligated to pay \$24,097 in principal and \$9,260 in interest on this debt.
- Expenditures related to the new elementary school construction for the year ended June 30, 2009 was \$5,221,071.
- Total general fund revenue was \$11,346,654, exclusive of on behalf state payments totaling \$3,158,432 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. Excluding on behalf payments, there were \$11,477,191 in general fund expenditures. For 2008, excluding on-behalf payments, total general fund revenue was \$10,924,753 and total general fund expenditures were \$11,585,193.

**OVERVIEW OF FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three

LESLIE COUNTY SCHOOL DISTRICT  
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2009

components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include activity funds. Proprietary funds include the school food service, daycare and preschool funds. All other activities are reported under governmental funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

LESLIE COUNTY SCHOOL DISTRICT  
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2009

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2009, assets exceeded liabilities by \$11,220,327.

The greatest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net assets for the year ended June 30, 2009**

Following are comparisons of governmental net assets:

	<u>At June 30,</u>	
	<u>2009</u>	<u>2008</u>
Current Assets	4,557,412	10,379,331
Noncurrent Assets	<u>20,187,651</u>	<u>14,612,153</u>
<b><u>Total Assets</u></b>	<b><u>24,745,063</u></b>	<b><u>24,991,484</u></b>
Current Liabilities	2,119,285	2,569,949
Noncurrent Liabilities	<u>11,405,451</u>	<u>12,450,690</u>
<b><u>Total Liabilities</u></b>	<b><u>13,524,736</u></b>	<b><u>15,020,639</u></b>
<b>- Net Assets -</b>		
Investment in Capital Assets (net of debt)	7,171,820	8,739,120
Restricted	144,231	144,231
Unreserved Fund Balance	<u>3,904,276</u>	<u>1,087,494</u>
<b><u>Total Net Assets</u></b>	<b><u>11,220,327</u></b>	<b><u>9,970,845</u></b>
<b><u>Total Liabilities &amp; Net Assets</u></b>	<b><u>24,745,063</u></b>	<b><u>24,991,484</u></b>



LESLIE COUNTY SCHOOL DISTRICT  
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2009

The comparison reflects the following:

- Decrease in current assets reflects \$5,221,071 in cash expenditures related to the elementary school construction.
- Increase in non-current assets includes \$5,221,071 in additions for construction in progress.
- Decrease in current liabilities is primarily a result of a decrease in construction fund accounts payable of \$283,641.
- Non-current liability changes reflect current year principal reductions of \$1,278,551.

**Comments on budget comparisons**

The following table presents a comparison of budget to actual for the general fund:

	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
From local sources			
Taxes	2,450,539	2,575,466	124,927
Earnings on investments	118,000	76,706	(41,294)
Other local revenue	33,286	16,606	(16,680)
Intergovernmental - state	8,677,253	11,823,387	3,146,134
Intergovernmental - indirect federal	20,295	12,921	(7,374)
<u>Total revenues</u>	<u>11,299,373</u>	<u>14,505,086</u>	<u>3,205,713</u>
Expenditures:			
Instructional	5,622,727	7,708,878	(2,086,151)
Student support services	746,156	773,603	(27,447)
Staff support services	722,060	776,761	(54,701)
District administration	289,508	295,200	(5,692)
School administration	843,169	1,058,644	(215,475)
Business support	283,250	345,707	(62,457)
Plant operation and management	1,348,435	1,923,054	(574,619)
Student transportation	1,618,144	1,482,543	135,601
Community service activities	5,000	271,233	(266,233)
Employee benefits	222,955	-	222,955
Contingency	1,170,079	-	1,170,079
<u>Total expenditures</u>	<u>12,871,483</u>	<u>14,635,623</u>	<u>(1,764,140)</u>
Excess (deficit) of revenue over expenditures	<u>(1,572,110)</u>	<u>(130,537)</u>	<u>1,441,573</u>

LESLIE COUNTY SCHOOL DISTRICT  
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2009

- Actual revenues and expenditures reflect unbudgeted state on-behalf payments for retirement, health and life insurance and technical education in the amount of \$3,059,094.
- Actual utility tax revenues exceeded budget expectations by \$112,071.
- Expenditures for plant operations and management include unbudgeted costs related to previous year fire damage to the Nixon Center.

The following table presents a summary comparison of statement of activities for the fiscal years ended June 30, 2009 and 2008:

	At June 30,	
	<u>2009</u>	<u>2008</u>
Revenues:		
Local revenue sources	3,397,345	4,070,805
State revenue sources	14,718,462	14,059,088
Federal revenue	<u>2,957,636</u>	<u>3,273,804</u>
<u>Total revenues</u>	<u>21,073,443</u>	<u>21,403,697</u>
Expenses:		
Instruction	10,542,642	10,838,916
Student support services	983,459	1,111,738
Instructional support	1,125,460	1,167,705
District administration	296,052	332,660
School administration	1,059,895	1,029,786
Business support	394,730	370,747
Plant operation and management	2,897,578	2,281,988
Student transportation	1,747,461	1,883,130
Central office support	14,279	5,567
Community support	538,998	269,975
Food service operations	1,157,490	1,148,218
Day care operations	37,832	35,692
Interest on long-term debt	<u>507,530</u>	<u>544,033</u>
<u>Total expenses</u>	<u>21,303,406</u>	<u>21,020,155</u>
<u>Revenues in excess of expenses</u>	<u>(229,963)</u>	<u>383,542</u>

LESLIE COUNTY SCHOOL DISTRICT  
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2009

- Local revenues for year ended June 30, 2008 reflect \$515,000 fire insurance reimbursements.
- Depreciation expense increased \$451,357 from the prior year.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,170,079 in contingency (9.09%).

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local level and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent years budgets.

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 672-2397.

# LESLIE COUNTY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

At June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	4,244,570	154,627	4,399,197
Accounts receivable:			
Taxes - current	18,904	-	18,904
Taxes - delinquent	26,430	-	26,430
Other	56,855	615	57,470
Intergovernmental - State	5,347	-	5,347
Intergovernmental - Indirect Federal	9,378	29,450	38,828
Inventories	-	11,236	11,236
<u>Total current assets</u>	<u>4,361,484</u>	<u>195,928</u>	<u>4,557,412</u>
- Noncurrent Assets -			
Capital assets	30,721,792	1,728,154	32,449,946
Less: accumulated depreciation	(11,297,689)	(964,606)	(12,262,295)
<u>Total noncurrent assets</u>	<u>19,424,103</u>	<u>763,548</u>	<u>20,187,651</u>
<u>Total assets</u>	<u>23,785,587</u>	<u>959,476</u>	<u>24,745,063</u>
<b>Liabilities:</b>			
- Current liabilities -			
Accounts payable	226,454	5,235	231,689
Current portion of accumulated sick leave	38,209	-	38,209
Deferred revenues	54,261	-	54,261
Current portion of bond/lease obligations	1,296,349	-	1,296,349
Interest payable	498,777	-	498,777
<u>Total current liabilities</u>	<u>2,114,050</u>	<u>5,235</u>	<u>2,119,285</u>
- Noncurrent liabilities -			
Noncurrent portion of bond/lease obligations	11,220,705	-	11,220,705
Noncurrent portion of accrued sick leave	184,746	-	184,746
<u>Total noncurrent liabilities</u>	<u>11,405,451</u>	<u>-</u>	<u>11,405,451</u>
<u>Total liabilities</u>	<u>13,519,501</u>	<u>5,235</u>	<u>13,524,736</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	6,408,272	763,548	7,171,820
Restricted for:			
KFSCC escrow	132,995	-	132,995
Other	-	11,236	11,236
Unrestricted	3,724,819	179,457	3,904,276
<u>Total net assets</u>	<u>10,266,086</u>	<u>954,241</u>	<u>11,220,327</u>
<u>Total liabilities and net assets</u>	<u>23,785,587</u>	<u>959,476</u>	<u>24,745,063</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2009

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
	<u>Expenses</u>			
<b>FUNCTIONS/PROGRAMS:</b>				
- Governmental Activities -				
Instructional	10,542,642	-	(4,827,605)	-
Support services:				
Student	983,459	-	(291,021)	-
Instructional staff	1,125,460	-	(457,963)	-
District administration	296,052	-	(37,771)	-
School administration	1,059,895	-	(232,974)	-
Business support	394,730	-	(117,897)	-
Plant operation and management	2,897,578	-	(242,935)	-
Student transportation	1,747,461	-	(341,872)	-
Central office operations	14,279	-	(99)	-
Community services operations	538,998	-	(267,526)	-
Interest on long-term debt	507,530	-	-	-
<b><u>Total governmental activities</u></b>	<u>20,108,084</u>	<u>-</u>	<u>(6,817,663)</u>	<u>-</u>
- Business-type Activities -				
Food service	1,157,490	(325,505)	(854,968)	-
Day care	37,832	(26,799)	-	-
<b><u>Total business-type activities</u></b>	<u>1,195,322</u>	<u>(352,304)</u>	<u>(854,968)</u>	<u>-</u>
<b><u>Total primary government</u></b>	<u>21,303,406</u>	<u>(352,304)</u>	<u>(7,672,631)</u>	<u>-</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIES (continued)For the Year Ended June 30, 2009

	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
	(5,715,037)	-	(5,715,037)
	(692,438)	-	(692,438)
	(667,497)	-	(667,497)
	(258,281)	-	(258,281)
	(826,921)	-	(826,921)
	(276,833)	-	(276,833)
	(2,654,643)	-	(2,654,643)
	(1,405,589)	-	(1,405,589)
	(14,180)	-	(14,180)
	(271,472)	-	(271,472)
	(507,530)	-	(507,530)
	<u>(13,290,421)</u>	<u>-</u>	<u>(13,290,421)</u>
	-	22,983	22,983
	-	(11,033)	(11,033)
	-	11,950	11,950
	<u>(13,290,421)</u>	<u>11,950</u>	<u>(13,278,471)</u>
<b>General revenues:</b>			
Taxes	2,869,074	-	2,869,074
Investment earnings	142,344	1,867	144,211
State and formula grants	10,003,467	-	10,003,467
Miscellaneous	31,756	-	31,756
<b><u>Total general revenues</u></b>	<u>13,046,641</u>	<u>1,867</u>	<u>13,048,508</u>
Change in net assets	(243,780)	13,817	(229,963)
Net assets - beginning (restated)	10,509,866	940,424	11,450,290
Net assets - ending	<u>10,266,086</u>	<u>954,241</u>	<u>11,220,327</u> ✓

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

At June 30, 2009

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>Assets and resources:</b>					
Cash and cash equivalents	1,166,395	47,450	2,824,367	206,358	4,244,570
Accounts receivable:					
Taxes - current	18,904	-	-	-	18,904
Taxes - delinquent	26,430	-	-	-	26,430
Other	56,855	-	-	-	56,855
Intergovernmental - State	-	5,347	-	-	5,347
Intergovernmental - Indirect Federal	-	9,378	-	-	9,378
<u>Total assets and resources</u>	<u>1,268,584</u>	<u>62,175</u>	<u>2,824,367</u>	<u>206,358</u>	<u>4,361,484</u>
<b>Liabilities and fund balances:</b>					
Accounts payable	86,320	7,914	132,220	-	226,454
Deferred revenue	-	54,261	-	-	54,261
<u>Total liabilities</u>	<u>86,320</u>	<u>62,175</u>	<u>132,220</u>	<u>-</u>	<u>280,715</u>
<b>Fund balance</b>					
Reserved for KFSCC escrow	-	-	-	132,995	132,995
Undesignated fund balance	1,182,264	-	2,692,147	73,363	3,947,774
<u>Total fund balances</u>	<u>1,182,264</u>	<u>-</u>	<u>2,692,147</u>	<u>206,358</u>	<u>4,080,769</u>
<u>Total liabilities and fund balances</u>	<u>1,268,584</u>	<u>62,175</u>	<u>2,824,367</u>	<u>206,358</u>	<u>4,361,484</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETSAt June 30, 2009

Total fund balance per fund financial statements	4,080,769
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net assets.

19,424,103
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Certain liabilities (such as bonds payable, accrued sick leave and accrued interest) are not reported in this fund financial statement because they are not due and payable, but are presented in the statement of net assets.

<u>(13,238,786)</u>
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Net assets for governmental activities	<u>10,266,086</u>
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See notes to financial statements.



LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDSFor the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes	2,575,466	-	-	293,608	2,869,074
Earnings on investments	76,706	-	65,638	-	142,344
Other local revenue	16,606	-	-	-	16,606
Intergovernmental - state	11,823,387	1,393,549	-	1,361,143	14,578,079
Intergovernmental - indirect federal	12,921	2,230,130	-	-	2,243,051
<b><u>Total revenues</u></b>	<u>14,505,086</u>	<u>3,623,679</u>	<u>65,638</u>	<u>1,654,751</u>	<u>19,849,154</u>
<b>Expenditures:</b>					
Instructional	7,708,878	2,814,857	-	-	10,523,735
Student support services	773,603	118,192	-	-	891,795
Staff support services	776,761	314,710	-	-	1,091,471
District administration	295,200	-	-	-	295,200
School administration	1,058,644	-	-	-	1,058,644
Business support	345,707	46,352	-	-	392,059
Plant operations and management	1,923,054	11,377	-	47,159	1,981,590
Student transportation	1,482,543	75,101	-	-	1,557,644
Central office support services	-	99	-	-	99
Community service activities	271,233	267,526	-	-	538,759
Educational specific	-	11,017	-	-	11,017
Employee benefits	-	-	-	-	-
New building construction	-	-	5,221,071	-	5,221,071
Debt service:					
Principal	-	-	-	1,278,551	1,278,551
Interest	-	-	-	552,786	552,786
<b><u>Total expenditures</u></b>	<u>14,635,623</u>	<u>3,659,231</u>	<u>5,221,071</u>	<u>1,878,496</u>	<u>25,394,421</u>
Excess (deficit) of revenues over expenditures	<u>(130,537)</u>	<u>(35,552)</u>	<u>(5,155,433)</u>	<u>(223,745)</u>	<u>(5,545,267)</u>
<b>Other financing sources (uses):</b>					
Bond proceeds	-	-	-	-	-
Operating transfers in	-	35,552	-	931,446	966,998
Operating transfers out	(304,265)	-	-	(662,733)	(966,998)
Gain (loss) on assets	15,150	-	-	-	15,150
<b><u>Total other financing sources (uses)</u></b>	<u>(289,115)</u>	<u>35,552</u>	<u>-</u>	<u>268,713</u>	<u>15,150</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	<u>(419,652)</u>	<u>-</u>	<u>(5,155,433)</u>	<u>44,968</u>	<u>(5,530,117)</u>
<b>Fund balance - July 1, 2008</b>	<u>1,601,916</u>	<u>-</u>	<u>7,847,580</u>	<u>161,390</u>	<u>9,610,886</u>
<b>Fund balance - June 30, 2009</b>	<u>1,182,264</u>	<u>-</u>	<u>2,692,147</u>	<u>206,358</u>	<u>4,080,769</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2009

Net change in total fund balances per fund financial statements. (5,530,117)

Amounts reported for governmental activities in the statement of activities differences:

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but are presented as assets in the statement of activities and depreciated over their estimated useful economic lives. The difference is the amount by which capital outlays exceeds depreciation for the year. 3,923,933

Interest expense on long-term debt is recognized in the fund financial statements when paid and accrued in the government wide financial statement of activities. 45,256

Sick leave is recognized as accrued in the government wide financial statements. 38,597

Bond principal payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets. 1,278,551

Change in net assets of governmental activities (243,780)

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUNDFor the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
From local sources:				
Taxes	2,425,126	2,450,539	2,575,466	124,927
Earnings on investments	128,000	118,000	76,706	(41,294)
Other local revenue	5,000	33,286	16,606	(16,680)
Intergovernmental - state	8,726,452	8,677,253	11,823,387	3,146,134
Intergovernmental - indirect federal	20,295	20,295	12,921	(7,374)
<b><u>Total revenues</u></b>	<b><u>11,304,873</u></b>	<b><u>11,299,373</u></b>	<b><u>14,505,086</u></b>	<b><u>3,205,713</u></b>
<b>Expenditures:</b>				
Instructional	5,694,266	5,622,727	7,708,878	(2,086,151)
Student support services	636,510	746,156	773,603	(27,447)
Staff support services	632,950	722,060	776,761	(54,701)
District administration	265,382	289,508	295,200	(5,692)
School administration	856,728	843,169	1,058,644	(215,475)
Business support	282,850	283,250	345,707	(62,457)
Plant operations and management	1,408,126	1,348,435	1,923,054	(574,619)
Student transportation	1,649,899	1,618,144	1,482,543	135,601
Community service activities	5,000	5,000	271,233	(266,233)
Employee benefits	222,955	222,955	-	222,955
Contingency	880,208	1,170,079	-	1,170,079
<b><u>Total expenditures</u></b>	<b><u>12,534,874</u></b>	<b><u>12,871,483</u></b>	<b><u>14,635,623</u></b>	<b><u>(1,764,140)</u></b>
Excess (deficit) of revenues over expenditures	<u>(1,230,001)</u>	<u>(1,572,110)</u>	<u>(130,537)</u>	<u>1,441,573</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(30,000)	(21,502)	(304,265)	(282,763)
Gain (loss) on sale of assets	5,000	5,000	15,150	10,150
<b><u>Total other financing sources (uses)</u></b>	<b><u>(25,000)</u></b>	<b><u>(16,502)</u></b>	<b><u>(289,115)</u></b>	<b><u>(272,613)</u></b>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	<u>(1,255,001)</u>	<u>(1,588,612)</u>	<u>(419,652)</u>	<u>1,168,960</u>
<b>Fund balance - July 1, 2008</b>	<b><u>1,255,001</u></b>	<b><u>1,601,898</u></b>	<b><u>1,601,916</u></b>	<b><u>18</u></b>
<b>Fund balance - June 30, 2009</b>	<b><u>-</u></b>	<b><u>13,286</u></b>	<b><u>1,182,264</u></b>	<b><u>1,168,978</u></b>

Note:

State on-behalf payments, \$3,158,432 reflected in actual are not budget line items.

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDSFor the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>	<u>Original</u>	<u>Final</u>		
Intergovernmental - state	1,306,768	1,308,625	1,393,549	84,924
Intergovernmental - indirect federal	2,289,150	1,570,341	2,230,130	659,789
<b><u>Total revenues</u></b>	<u>3,595,918</u>	<u>2,878,966</u>	<u>3,623,679</u>	<u>744,713</u>
<b>Expenditures:</b>				
Instructional	2,844,232	2,775,061	2,814,857	(39,796)
Student support services	69,407	69,407	118,192	(48,785)
Staff support services	254,545	254,522	314,710	(60,188)
Business support services	43,004	43,004	46,352	(3,348)
Plant operations and management	-	15,552	11,377	4,175
Student transportation	121,359	119,066	75,101	43,965
Central office support services	-	-	99	(99)
Community service activities	278,503	278,387	267,526	10,861
Educational specific	6,370	11,481	11,017	464
<b><u>Total expenditures</u></b>	<u>3,617,420</u>	<u>3,566,480</u>	<u>3,659,231</u>	<u>(92,751)</u>
Excess (deficit) of revenues over expenditures	<u>(21,502)</u>	<u>(687,514)</u>	<u>(35,552)</u>	<u>651,962</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	21,502	21,502	35,552	14,050
Operating transfers out	-	-	-	-
<b><u>Total other financing sources (uses)</u></b>	<u>21,502</u>	<u>21,502</u>	<u>35,552</u>	<u>14,050</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	-	(666,012)	-	666,012
<b>Fund balance - July 1, 2008</b>	-	512,326	-	(512,326)
<b>Fund balance - June 30, 2009</b>	-	(153,686)	-	153,686

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

At June 30, 2009

	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	155,151	(524)	154,627
Accounts receivable:			
Intergovernmental - indirect Federal	29,450	-	29,450
Other	-	615	615
Inventories	<u>11,236</u>	<u>-</u>	<u>11,236</u>
<u>Total current assets</u>	<u>195,837</u>	<u>91</u>	<u>195,928</u>
- Noncurrent Assets -			
Capital assets	1,728,154	-	1,728,154
Less: accumulated depreciation	<u>(964,606)</u>	<u>-</u>	<u>(964,606)</u>
<u>Total noncurrent assets</u>	<u>763,548</u>	<u>-</u>	<u>763,548</u>
<u>Total assets</u>	<u>959,385</u>	<u>91</u>	<u>959,476</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	<u>5,166</u>	<u>69</u>	<u>5,235</u>
<u>Total current liabilities</u>	<u>5,166</u>	<u>69</u>	<u>5,235</u>
<b>Net assets:</b>			
Investments in capital assets	763,548	-	763,548
Reserve for inventories	11,236	-	11,236
Unreserved	<u>179,435</u>	<u>22</u>	<u>179,457</u>
<u>Total net assets</u>	<u>954,219</u>	<u>22</u>	<u>954,241</u>
<u>Total liabilities and net assets</u>	<u>959,385</u>	<u>91</u>	<u>959,476</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS – PROPRIETARY FUNDSFor the Year Ended June 30, 2009

	<u>Food service Fund</u>	<u>Day care Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Lunchroom sales	325,505	-	325,505
Tuition from individuals	-	26,799	26,799
<u>Total operating revenues</u>	<u>325,505</u>	<u>26,799</u>	<u>352,304</u>
<b>Operating expense:</b>			
Salaries and wages	565,016	33,455	598,471
Contract services	22,533	-	22,533
Materials and supplies	524,590	4,181	528,771
Depreciation	44,850	-	44,850
Other operating expenses	501	196	697
<u>Total operating expenses</u>	<u>1,157,490</u>	<u>37,832</u>	<u>1,195,322</u>
<u>Operating income (loss)</u>	<u>(831,985)</u>	<u>(11,033)</u>	<u>(843,018)</u>
<b>Nonoperating Revenue/(Expense):</b>			
Federal grants	714,585	-	714,585
State grants & onbehalf payments	140,383	-	140,383
Interest income	1,867	-	1,867
<u>Total nonoperating revenue/(expense)</u>	<u>856,835</u>	<u>-</u>	<u>856,835</u>
<u>Net income (loss)</u>	<u>24,850</u>	<u>(11,033)</u>	<u>13,817</u>
Net assets, July 1, 2008	929,369	11,055	940,424
Net assets, June 30, 2009	954,219	22	954,241

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	<u>Food service Fund</u>	<u>Day care Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from:			
Lunchroom sales	325,505	-	325,505
Tuition	-	26,529	26,529
Cash paid to/for:			
Employees	(565,016)	(33,455)	(598,471)
Supplies/Contractual	(542,827)	(4,164)	(546,991)
Other activities	(501)	(196)	(697)
<u>Net cash used by operating activities</u>	<u>(782,839)</u>	<u>(11,286)</u>	<u>(794,125)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(13,806)	-	(13,806)
<b>Cash flows from investing activities:</b>			
Interest income	1,867	-	1,867
<b>Cash flows from financing activities:</b>			
Federal grants	692,992	-	692,992
State grants	140,383	-	140,383
<u>Net cash provided by financing activities</u>	<u>833,375</u>	<u>-</u>	<u>833,375</u>
Net increase (decrease) in cash	38,597	(11,286)	27,311
Cash, beginning of year	116,554	10,762	127,316
Cash, end of year	155,151	(524)	154,627
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>			
Operating income (loss)	(831,985)	(11,033)	(843,018)
Adjustments to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	44,850	-	44,850
Changes in current assets/liabilities:			
Accounts receivable	-	(270)	(270)
Accounts payable	4,296	17	4,313
<u>Net cash used by operating activities</u>	<u>(782,839)</u>	<u>(11,286)</u>	<u>(794,125)</u>

Noncash transactions include \$129,733 on-behalf payments recognized for the school food service program.

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS – ACTIVITY FUNDSAt June 30, 2009**Assets:**

Cash and cash equivalents	114,051
Accounts receivable	<u>1,177</u>
<u>Total assets</u>	<u>115,228</u>

**Liabilities:**

Accounts payable	1,321
Due to individual student activity account funds	<u>113,907</u>
<u>Total liabilities</u>	<u>115,228</u>

**Net assets:**

Permanently restricted for scholarships	<u>-</u>
<u>Total liabilities and net assets</u>	<u>115,228</u>

See notes to financial statements.



LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Leslie County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Leslie County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence, operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Leslie County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment or the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Leslie County School District Finance Corporation – On September 11, 1990, the Leslie County, Kentucky, Board of Education resolved to authorize the establishment of the Leslie County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Leslie County Board of Education also comprise the Corporations' Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The proprietary funds are accounted for using GASB standards as well as standards issued by the FASB through November 1989 and that do not conflict with GASB Standards. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Grant Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Revenues – Exchange and Non-exchange Transactions** – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Accounting (continued)

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and change in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$.356 per \$100 valuation for real property, \$.431 per \$100 valuation for business personal property and \$.46 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2009.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. For government wide financial statements the long-term liability is reflected in the statement of net assets.

Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with and original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.



LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$5,218,226. Of the total cash balance, \$250,000 was covered by Federal depository insurance and the balance was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The US Bank Construction Fund accounts was established to disburse construction expenditures related to the new elementary school. The funds were held in First American government obligation funds. At June 30, 2009, the funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

The original amount of each issue, the issue date and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
Rev Series September 1996	\$ 240,000	5.00% - 5.375%
KISTA Series April 1999	270,000	3.70% - 4.45%
KISTA Series January 2000	469,445	4.30% - 5.30%
KISTA Series May 2000	340,000	4.75% - 5.90%
KISTA Series December 2000	199,156	4.15% - 4.60%
1998A Refunding Series	900,000	4.00% - 4.50%
1998B Refunding Series	6,175,000	4.00% - 4.50%
KISTA Series 2004	837,401	1.00% - 3.50%
KISTA Series 2005	233,280	3.00% - 3.625%
Rev Series September 2006	1,520,000	3.75% - 4.00%
Rev Series July 2007	8,500,000	3.70% - 4.125%
KISTA Series 2008	236,521	3.00% - 3.750%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund and Building Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Leslie County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1990, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations for the district, including amounts to be paid by the Commission, at June 30, 2009, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Leslie County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009 - 10	736,566	158,646	559,783	340,131	1,795,126
2010 - 11	707,541	129,818	591,498	316,520	1,745,377
2011 - 12	223,527	98,425	341,489	291,372	954,813
2012 - 13	214,653	90,581	355,491	277,369	938,094

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2009NOTE D -- LEASE OBLIGATIONS AND BONDED DEBT (continued)

<u>Year</u>	<u>Leslie County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013 - 14	216,579	82,784	370,149	262,711	932,223
2014 - 15	146,624	74,723	385,415	247,446	854,208
2015 - 16	127,296	69,125	401,352	231,509	829,282
2016 - 17	129,313	64,130	412,819	215,002	821,264
2017 - 18	134,760	58,985	417,199	198,103	809,047
2018 - 19	116,094	53,566	434,906	180,646	785,212
2019 - 20	120,562	48,833	448,438	162,489	780,322
2020 - 21	123,407	43,954	436,593	144,513	748,467
2021 - 22	129,903	38,888	455,097	126,680	750,568
2022 - 23	136,302	33,563	473,698	108,104	751,667
2023 - 24	141,873	27,999	493,127	88,767	751,766
2024 - 25	146,371	22,161	513,629	68,425	750,586
2025 - 26	155,682	15,949	534,318	46,991	752,940
2026 - 27	152,512	9,593	532,488	25,107	719,700
2027 - 28	156,311	3,224	343,689	7,089	510,313
<u>Totals</u>	<u>4,015,876</u>	<u>1,124,947</u>	<u>8,501,178</u>	<u>3,338,974</u>	<u>16,980,975</u>

Following are changes in long-term debt:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Revenue Series Sept 1996	140,000	-	10,000	130,000
KISTA Series April 1999	33,000	-	33,000	-
KISTA Series January 2000	94,004	-	45,856	48,148
KISTA Series May 2000	272,000	-	19,000	253,000
KISTA Series December 2000	61,564	-	22,129	39,435
1998A Refunding Series	215,000	-	105,000	110,000
1998B Refunding Series	2,115,000	-	640,000	1,475,000
KISTA Series 2004	496,067	-	82,147	413,920
KISTA Series 2005	162,449	-	22,322	140,127
Revenue Series Sept 2006	1,470,000	-	55,000	1,415,000
Revenue Series July 2007	8,500,000	-	220,000	8,280,000
KISTA Series 2008	-	236,521	24,097	212,424
<u>Total</u>	<u>13,559,084</u>	<u>236,521</u>	<u>1,278,551</u>	<u>12,517,054</u>

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2009

**NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)**

The Leslie County School District participated in the KISTA Bond Pool Series of 2008 to assist in acquiring three new school buses for the district. The total bond principal was \$236,521 and the total cost of the debt service including interest is \$282,635.07. The buses were placed in service in the 2008-09 school year.

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Governmental Activities</u>				
Land	189,057	-	-	189,057
Land improvements	403,889	-	-	403,889
Buildings and improvements	16,883,152	1,037,528	-	17,920,680
Technology equipment	1,517,950	274,332	-	1,792,282
Vehicles	2,934,721	316,295	231,919	3,019,097
General equipment	479,912	-	-	479,912
Construction work in progress	1,695,804	5,221,071	-	6,916,875
<u>Totals at historical cost</u>	<u>24,104,485</u>	<u>6,849,226</u>	<u>231,919</u>	<u>30,721,792</u>
Less: accumulated depreciation				
Land and improvements	348,771	7,425	-	356,196
Buildings and improvements	6,234,597	796,240	-	7,030,837
Technology equipment	1,112,937	183,105	-	1,296,042
Vehicles	2,218,439	291,980	319,730	2,190,689
General equipment	405,537	18,388	-	423,925
<u>Total accumulated depreciation</u>	<u>10,320,281</u>	<u>1,297,138</u>	<u>319,730</u>	<u>11,297,689</u>
<u>Governmental Activities</u> <u>Capital Assets - Net</u>	<u>13,784,204</u>	<u>5,552,088</u>	<u>87,811</u>	<u>19,424,103</u>
<u>Business-Type Activities</u>				
Buildings and improvements	1,141,825	-	-	1,141,825
Food service and equipment	556,564	13,806	-	570,370
Technology equipment	15,959	-	-	15,959
<u>Totals at historical cost</u>	<u>1,714,348</u>	<u>13,806</u>	<u>-</u>	<u>1,728,154</u>
Less: accumulated depreciation				
Buildings and improvements	457,539	22,551	-	480,090
Food service and equipment	448,597	19,960	-	468,557
Technology equipment	13,620	2,339	-	15,959
<u>Total accumulated depreciation</u>	<u>919,756</u>	<u>44,850</u>	<u>-</u>	<u>964,606</u>
<u>Business-Type Activities</u> <u>Capital Assets - Net</u>	<u>794,592</u>	<u>(31,044)</u>	<u>-</u>	<u>763,548</u>